

DEPARTMENT OF CORRECTIONS
INMATE CASH ACCOUNTS
AND REVENUE COLLECTIONS
JANUARY 2001

January 2001

The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we
have conducted a review of selected activities of the

DEPARTMENT OF CORRECTIONS
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and our report is submitted herewith. The scope of our examination related specifically to the inmate
accounts and revenues collected by the Department of Corrections from State and Federal agencies.
We also performed a follow-up review of recommendations in our previous reports issued in FY
1988 and FY 1994. The body of our report presents our findings and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer and the
Director of the Department of Corrections. We wish to express our gratitude to the department for
the cooperation and assistance extended to us during the course of this engagement.

Ronald S. Weinstein, C.P.A.
County Auditor

Dilawar Lakhani, C.P.A.
Auditor-in-Charge

INTRODUCTION

The Department of Corrections is in charge of the operations at the Howard County Detention Center. The department is responsible for the processing, treatment, and care of individuals imprisoned in Howard County. These responsibilities require the department to receive, maintain, and disburse monies related to the inmates.

The scope of our audit was limited to the inmate accounts and other revenues collected by the department. These revenues are recorded in various revenue accounts in the General Fund. We also used this opportunity to follow up on the recommendations made in two prior audit reports entitled "Department of Corrections Internal Control Review of Cash Receipts, November 1988" and "Department of Corrections Inmate Cash Account, September 1994". These reports included a total of 39 recommendations of which 37 were implemented or are no longer applicable. We have repeated the remaining two recommendations in this report.

During the audit process interviews were conducted with appropriate personnel. We also evaluated the documents, files, reports, systems, procedures and policies we considered applicable to our review. After analyzing the data, we developed recommendations for those areas that we felt needed improvement. We then discussed our findings and recommendations with appropriate management personnel.

FINDINGS AND RECOMMENDATIONS

All significant findings are included in this report for consideration. The recommendations in this report represent, in our judgement, those most likely to bring about beneficial improvements to operations at the Detention Center.

INMATE ACCOUNTS

We conducted a review of cash transactions pertaining to all inmate cash funds. This included a surprise cash count during which all funds were accounted for. We also reviewed the policies pertaining to these funds which we were told are reviewed annually by management at the time of the State audit. On a sample basis, we tested cash receipts and disbursements and found that they comply with management policies.

The Detention Center is a 24-hour operation. Since there are three shifts for the correction officers, the recording of the receipt of cash is very critical. The handling of inmate cash in the intake area requires that it be reconciled at the end of each shift. Computerizing this entire process would reduce the amount of time necessary to maintain the records, allow for more accurate and detailed records, provide greater flexibility in generating useful reports, and allow for such tasks as bank reconciliations and posting to inmate accounts and ledgers.

We were informed that personnel from the Department of Technology and Communication Services would visit the center in the near future to provide computer and technical related services for various programs. We recommend that:

1. *The Detention Center computerize the entire cash receipt and disbursement process with consultation from the Department of Technology and Communication Services.*

Administration's Response:

The Administration concurs with this recommendation. A meeting was held with Russ Douppnick of ISSO and the appropriate software was requested.

WEEKEND PROGRAM

Article 27, Section 645GG of the Annotated Code of Maryland requires that inmates sentenced to weekends reimburse the County for food and lodging unless exempted by the court.

Howard County Council Resolution 84-1999 set the fee to charge weekend prisoners at \$10 per day, not to exceed \$20 for the weekend.

Every Friday, a staff member in the program office prepares a weekend roster from the inmate commitment records received from the court to determine the amount each weekender must pay. The roster is then approved by a staff member in the records office. The roster is sent down in the afternoon to the intake officer on duty who then collects the money upon the inmates arrival, issues prenumbered receipts for the amount collected, and enters the amount collected and the receipt number in the roster.

Every Tuesday, the amount collected is verified by a staff member in the weekend program office. The cash collected is compared with the weekly roster and a bank deposit slip is prepared for the funds collected. The bank deposit is approved and initialed by a staff member in the records office, then the amount is deposited into the bank account. Appropriate actions are taken for those inmates who do not show or pay for that weekend.

We randomly selected three weeks of weekly cash collections listed on the weekender roster to review. We compared the inmate commitment record issued by the court to the weekend roster to determine the correctness of the inmate names on the roster for the weekend and the amount due from each inmate for the weekend. We noted that some inmates were not listed by the program office on the roster, but were added later by the officers upon inmate arrival. We also noted that there was a calculation discrepancy in the amount due column. One inmate commitment order listed the sentence for custody as every other weekend, but the sentence was listed in error as every weekend on the roster, causing the amount outstanding for that inmate to be incorrect. The outstanding amount could be a cause for starting a formal legal proceeding to cite the inmate for a probation violation. This error would cause inconvenience to the inmate and embarrassment to the County and the judicial system. The commitment records should be carefully reviewed at the time the weekend roster is prepared.

In order to ensure that only court-ordered inmates who are required to pay for the weekend program are listed on the roster, we recommend that:

2. **The Detention Center staff review the commitment record for each inmate prior to preparation of the roster. After careful review and approval by the supervisor, only those weekenders scheduled to report should be listed on the Friday roster.**

3. *The Detention Center staff review the release/discharge records before preparation of the roster in order to avoid listing inmates who should not be on the list.*

Administration's Response:

The Administration concurs with part of #2 and #3 and recommends the following process. Since the Commitment Office already prepares a roster of all weekenders scheduled to report each week, that office will prepare the weekender roster listing all inmates scheduled to report and turn it over to the appropriate administrative support staff by Thursday of each week. This procedure would avoid the risk of listing inmates who are not scheduled to report. The Administrative support staff utilizing the weekender's ledger will record the amount due for each inmate and will verify the projected released date of each inmate with the Projected Weekender Release Report. The completed roster will be forwarded to the Commitment Office on Friday afternoons.

Auditor's Comment:

We agree with the above alternative procedures.

We observed during our physical review of the process that when the bank deposit slip was prepared, the deposit slip was initialed and approved for deposit before the collection amount was entered. This negates the control provided by the approval process. We therefore recommend that:

4. *The staff in the records office complete a deposit slip with the amount, then have it approved.*

Administration's Response:

The Administration concurs with this recommendation. This is the Detention Center's current procedure. Appropriate staff will be notified and this policy will be reinforced.

We also found that the comment column in the roster was left blank and was not being utilized by the Intake Officers. The comment column should be completed to indicate whether the inmate served the weekend, was a no show or was excused by the court. This information is vital to the staff member who prepares the roster to initiate further legal proceedings against the inmate in cases of no show, no collection or partial collection. We recommend that:

5. *The Intake Officer complete the comment column on the weekend roster for inmates who do not show, do not pay or make a partial payment.*

Administration's Response:

The Administration concurs with this recommendation and appropriate corrective measures will be taken.

WORK RELEASE PROGRAM

The Department of Corrections operates, under the Annotated Code of Maryland, Article 27, Section 645 EE, a Work Release Program which allows for inmates, upon court approval, to leave the Detention Center and work for private employers. Selected inmates who are on work release may also be eligible for placement in the Home Detention Program. These inmates must pay a fee of \$10 per day as a condition of the Work Release Program. The fee is not intended to cover the full cost and remains unchanged for Fiscal Year 2000.

We randomly selected work release records for a month to review to ensure that all of the inmates who were put on the Work Release Program were properly approved, that individual ledger sheets were prepared, and that the lodging fee was charged and collected. All records reviewed were in order and all policies and procedures were being followed. The checking account was reconciled each month with the bank statement. No exceptions were noted.

REIMBURSEMENT FOR LOCALLY SENTENCED PRISONERS

_____According to the Annotated Code of Maryland, Article 27, Sections 690 and 705, the State reimburses the County when a prisoner is sentenced to the Detention Center in excess of 90 days but not more than 18 months. The rate of reimbursement from the State is 50% of the per diem rate because, according to current legislation, the County is only permitted to recover 50% of the actual costs.

We reviewed the rate calculations for fiscal years 1998 and 1999 and did not find any errors. The rate was reviewed and approved for FY 1998 by the State. The review and approval process for the FY 1999 rate is in process. We reviewed the State reimbursements and did not find any discrepancies.

FEDERAL BOARDING OF PRISONERS

The Detention Center provides housing, safekeeping, subsistence and other services under a contractual agreement between the County and the U.S. Immigration and Naturalization Service. The effective rate since inception of the contract is \$70 per day per detainee. The rate was based on the approved budget for FY 1995. We reviewed the federal payments and found that these payments were in order.

VOIDED RECEIPTS

We reviewed all the receipt books for calendar year 1999 and found that copies of the receipts that were voided by the Intake Officers were not attached to and listed on Form C-15, "Request for Check to be Written" as required to account for all receipts in sequence. Copies of the voided receipts were either left in the receipt books or were not sent with the other paid receipts to the records office.

We therefore recommend that:

6. ***The Intake Officers attach and list all the voided receipts on the C-15 forms and leave the green copies in the books.***

Administration's Response:

The Administration concurs with this recommendation and appropriate corrective measures will be taken.

BANK RECONCILIATION

We reviewed the bank reconciliation statements prepared by the staff at the Detention Center for the months of December 1999, January 2000 and February 2000. In our review we found that 23 checks which were issued in amounts less than \$1.00 are still outstanding. The checks were issued to inmates at the time of their discharge. Writing and issuing checks in small amounts is not efficient, because they require a lot of paper work during the reconciliation process. We recommend that the policy be revised to require payment in cash when the amount remaining in the inmate's account is less than \$5.00 after the officer on duty has paid the initial required cash amount of \$20.

We therefore recommend that:

7. **The Detention Center revise the policy provision to pay off the final (remaining) balance in the inmate's account at the time of release. The Detention Center should avoid writing checks for less than \$5.00 to make the procedure more efficient.**

_____ Administration's Response:

_____ The Administration concurs with this recommendation and a revised policy will be issued.

_____ We were informed at the time of the reconciliation review that there were two adjustments made to the reconciliation statements. The first adjustment was for \$2,000 for two bad money orders that were received through the mail and handed over to the Intake Officers. They were deposited into the inmate's account. Before the bank was able to collect and credit the proceeds to the Detention Center Inmate Funds Account, the inmate was released and his account balance of \$2,000 was paid to him by check. The money orders were unpaid because the purchaser of the money orders put a stop payment order on them. The County, as custodian of the inmate accounts, incurred the loss of \$2,000 to make up for the shortage in the account as a result of this transaction.

We therefore recommend that:

8. **The Detention Center include in its policies that money orders collected from inmates will not be immediately available to be reissued as a check at the time of release until the cash is received for the money orders and it is credited by the bank to the Detention Center Inmate Funds Account.**

_____ Administration's Response:

The Administration feels that the procedures in place are appropriate. The Detention Center has been accepting money orders for inmates and releasing their funds following the current procedure without this type of incident for approximately 15 years. Currently the Detention Center releases approximately 4,000 inmates per year. It is our position that this one time occurrence does not justify the additional work for correctional staff and delay for inmates to receive their funds.

_____ Auditor's Comment:

Based on the volume of inmates noted by the Detention Center, we would recommend, as an alternative, an on-going review be made of large payouts (such as

over \$500) to determine if any money orders had not yet cleared. A reduced amount could be issued until the money order cleared. This would limit the dollar amount of liability to the County.

We were informed that the second adjustment was made for the amount of \$2,500.36. This adjustment was made by the bank which charged the Detention Center account for a counterfeit check which was paid by the bank. According to the Detention Center staff, all stated policies and procedures set to safeguard the account were followed. However, someone prepared a computerized counterfeit check and cashed it at the bank after submitting the required identification to the bank's teller.

At the time of the reconciliation process, a staff member at the Detention Center found a blue computerized counterfeit check (check no.16849 for \$2,500.36 dated 10-29-99) and their regular hand-written light yellow colored check (check no.16849 for \$150 dated 11-25-99) issued by the Duty Officer. She immediately informed the staff at Allfirst bank and the Howard County Police Department. A detective in the Fraud Unit of the Criminal Investigation Bureau of the Howard County Police Department is still investigating the case under Report #99-105074.

The bank's staff recommended special procedures for the account, but did not accept its responsibility for the error and charged the account for the check amount. This was the only adjustment made for a counterfeit check since the account was opened. The bank staff additionally recommended, in their letter dated December 20, 1999, that the Detention Center close the account and establish a new account utilizing the bank's positive pay service that it provides for other County accounts to mitigate the risk of clearing additional bad checks.

We therefore recommend that:

9. **The Detention Center work with the Department of Finance to safeguard the account and utilize the bank's positive pay service.**

Administration's Response:

The Administration concurs with this recommendation and a meeting will be set up between the Detention Center and the Department of Finance to discuss this issue further.

10. **The Detention Center work with the Office of Law to collect \$2,500.36 for the counterfeit check which was paid and deducted from the Detention Center account by the bank.**

Administration's Response:

The Administration concurs with this recommendation and the Detention Center will again seek the opinion of the Office of Law on this issue.

FOLLOW-UP ON 1988 AND 1994 REPORTS

Our November 1988 report entitled, "Department of Corrections Internal Control Review of Cash Receipts", contained a total of 27 recommendations. We found that 22 recommendations were implemented. Of the remaining five, two were no longer applicable and three have been implemented or an alternative had been accomplished.

Our September 1994 report entitled, "Department of Corrections Inmate Cash Account" contained a total of 12 recommendations. We found that nine recommendations were implemented. Of the remaining three, two were not implemented and one was no longer applicable. The following two recommendations need to be implemented:

11. *The Office of Law prepare an opinion on removing outstanding checks written from the inmate checking account after a certain time frame and once this opinion is received, the Department of Corrections prepare a policy for implementation.*

Administration's Response (1994):

We are currently preparing correspondence to the Office of Law requesting their opinion. Based upon their opinion appropriate policy will be implemented.

Current Status:

We were informed by the staff of the Detention Center that the center contacted the Office of Law for its opinion in 1994, but has not received it from the Office of Law. As of July 21, 2000, the bank reconciliation still includes 270 outstanding checks totaling \$4,695.99 with checks dating back to 1994.

Administration's Response:

The Administration concurs with this recommendation and the Detention Center will again seek the opinion of the Office of Law on this issue.

12. *The Department of Corrections request an opinion from the Office of Law to determine whether the inmate checking account can be an interest bearing account and if so, state whether or not there are restrictions on the use of the earnings.*

Administration's Response (1994):

We are currently preparing correspondence to the Office of Law requesting their opinion. Based upon their opinion appropriate policy will be implemented.

Current Status:

No change has been made. The Director contacted the Office of Law in April 25, 2000 for an opinion on this issue.

Administration's Response:

The Administration concurs with this recommendation. The Detention Center will again seek the opinion of the Office of Law on this issue.

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